

PANHANDLE OIL & GAS INC

Form DEF 14A

January 26, 2010

Table of Contents

SCHEDULE 14-A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party Other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under Rule 14a-12

Panhandle Oil and Gas Inc.

Name of the Registrant as Specified In Its Charter

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

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1. Title of each class of securities to which transaction applies:

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1. Amount Previously Paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

Table of Contents

Definitive Proxy Statement
Notice of Annual Shareholders Meeting
To be held March 11, 2010

To the Shareholders of Panhandle Oil and Gas Inc.:

Notice is hereby given that the annual meeting of the shareholders of Panhandle Oil and Gas Inc. will be held at the Waterford Marriott, 6300 Waterford Boulevard (63rd and North Pennsylvania), Oklahoma City, Oklahoma, on Thursday, March 11, 2010, at 9:00 a.m., local time, for the following purposes:

1. To elect three directors for terms of three years;
2. To approve and adopt the Panhandle Oil and Gas Inc. 2010 Restricted Stock Plan;
3. To ratify the appointment of Ernst & Young, LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2010; and
4. To consider and act upon any other matter as may properly come before the meeting or any adjournment or postponement thereof.

Only holders of record of the Common Stock at the close of business on January 29, 2010 will be entitled to vote at the meeting and any adjournments.

By Order of the Board of Directors

/s/ Lonnie J. Lowry

Lonnie J. Lowry, Secretary

Oklahoma City, Oklahoma
February 5, 2010

YOUR VOTE IS IMPORTANT.
WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE MARK, SIGN AND DATE
THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE POSTAGE-PAID ENVELOPE PROVIDED.
PLEASE VOTE!

TABLE OF CONTENTS

	Page
<u>Proxy Statement</u>	1
<u>PROPOSAL NO. 1 ELECTION OF THREE DIRECTORS</u>	3
<u>PROPOSAL NO. 2 APPROVAL OF THE PANHANDLE OIL AND GAS INC. 2010 RESTRICTED STOCK PLAN</u>	9
<u>PROPOSAL NO. 3 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	13
<u>Report of the Audit Committee</u>	14
<u>Beneficial Ownership of Common Stock</u>	16
<u>Executive Officers</u>	17
<u>Executive Compensation</u>	18
<u>Compensation Discussion and Analysis</u>	20
<u>Report of the Compensation Committee</u>	26
<u>Code of Ethics</u>	26
<u>Communications with the Board of Directors</u>	27
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	27
<u>Shareholder Proposals</u>	27
<u>Annual Financial Report</u>	28
<u>Form 10-K</u>	28
<u>Other Matters</u>	28
<u>APPENDIX A Panhandle Oil and Gas Inc. 2010 Restricted Stock Plan</u>	

Table of Contents

**Panhandle Oil and Gas Inc.
5400 N. Grand Boulevard, Suite 300
Oklahoma City, OK 73112-5688
Annual Shareholders Meeting
March 11, 2010**

PROXY STATEMENT

The accompanying proxy is solicited by the Board of Directors of Panhandle Oil and Gas Inc. (the Board), an Oklahoma corporation (the Company, Panhandle, we, us and our), for use at the Company's annual shareholders meeting (the meeting) to be held at the Waterford Marriott, 6300 Waterford Boulevard, Oklahoma City, Oklahoma, on Thursday, March 11, 2010, at 9:00 a.m. local time, and at any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Shareholders Meeting.

When the proxy is properly executed and returned, the shares it represents will be voted at the meeting in accordance with any directions noted thereon. If no direction is indicated, the persons named on the enclosed proxy will vote the proxy for the nominees for director, for approval of the Company's 2010 Restricted Stock Plan and for ratification of the appointment of our independent registered public accounting firm. Should other matters properly come before the meeting, the proxy will be voted as the Board may recommend.

If the enclosed form of proxy is executed and returned, it still may be revoked at any time before it is exercised, by signing and sending to the Company a later dated proxy or a written revocation, or by attending the meeting and voting in person.

If your shares are held in street name (that is, through a bank, broker or other nominee), follow the voting instructions on the form you receive from such firm. If you hold shares in street name and would like to attend the meeting and vote in person, you will need to bring a proxy to the meeting signed by the nominee in whose name your shares are registered.

The mailing address of the Company is 5400 N. Grand Boulevard, Suite 300, Oklahoma City, OK 73112-5688. The Company anticipates that the proxies and proxy statements will be mailed to shareholders beginning on or about February 5, 2010.

The cost of soliciting proxies for the meeting will be paid by the Company. In addition to solicitation by mail, arrangements may be made with brokerage firms, banks and other custodians, nominees and fiduciaries to send proxy material to their principals. The Company will reimburse these institutions for their reasonable costs. No solicitation is to be made by specially engaged employees or other paid solicitors.

Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to be held on March 11, 2010.

This proxy statement, form of proxy and the Company's 2009 Annual Report to Shareholders are available at the following website: www.proxydocs.com/phx.

(1)

Table of Contents

Voting of Common Stock

All holders of Common Stock of record at the close of business on January 29, 2010 will be entitled to vote at the meeting. As of January 29, 2010, there were 8,311,636 shares of Class A Common Stock, par value \$0.01666 (Common Stock), outstanding, entitled to vote, owned by approximately 4,000 shareholders. A list of record shareholders entitled to vote at the meeting will be available for examination at least 10 days prior to the meeting at the Company's offices during ordinary business hours and at the meeting.

The Amended Certificate of Incorporation of the Company provides for one vote for each share of Common Stock outstanding. At the meeting, each record holder of Common Stock will be entitled to cast one vote per share of Common Stock held of record on the record date. Votes may be cast by shareholders either present in person or by proxy.

The presence, in person or by proxy, of a majority of the outstanding shares of Common Stock entitled to vote is necessary to constitute a quorum for the transaction of business at the meeting. Abstentions and broker non-votes are counted as present and entitled to vote for the purpose of determining a quorum. Broker non-votes are shares held by brokers or nominees over which the broker or nominee lacks discretionary power to vote (such as for the election of directors) and for which the broker or nominee has not received specific voting instructions from the beneficial owner. For purposes of determining the outcome of any matter as to which the broker or nominee has indicated on the proxy that it does not have discretionary authority to vote, those shares will be treated as not present and not entitled to vote with respect to that matter, even though those shares will be considered present and entitled to vote for purposes of determining a quorum and may be entitled to vote on other matters.

Because of a change in rules of the New York Stock Exchange, brokers or their nominees no longer have the discretionary power to vote shares in uncontested director elections. They may only vote shares for the election of directors if they receive specific voting instructions from the beneficial owner.

The Board has adopted a majority vote standard for the election of directors in uncontested elections. Accordingly, at the meeting, each director will be elected if the holders of a majority of shares of Common Stock present at the meeting and entitled to vote for the election of directors cast their votes FOR him. Abstentions will have the effect of a vote against the election of a nominee.

The three nominees for director at the meeting are currently directors of the Company. If any incumbent nominee for director fails to receive the required affirmative vote of the holders of a majority of the votes cast for that director, under Oklahoma law and the Company's Bylaws, the incumbent will remain in office until his successor is elected and qualified or until his earlier death, resignation, retirement or removal. If any incumbent for director receives a greater number of votes WITHHELD from his election than votes FOR , he must promptly submit his offer of resignation from the Board for consideration by the Corporate Governance and Nominating Committee of the Board. The Corporate Governance and Nominating Committee will consider all relevant facts and circumstances and recommend to the Board the action to be taken with respect to such offer of resignation. The Board will act on the offered resignation, taking into account such recommendation, and publicly disclose its decision regarding the offered resignation within 90 days from the date of election. The director who offered his resignation shall not participate in any proceedings with respect to his offered resignation. If the Board accepts a director's offered

(2)

Table of Contents

resignation, the Corporate Governance and Nominating Committee will recommend to the Board whether to fill such vacancy or reduce the size of the Board. The Company's Corporate Governance Guidelines and Bylaws can be viewed at the Company's website: www.panhandleoilandgas.com.

Proposal No. 2 will be approved if the holders of a majority of shares of Common Stock present at the meeting and entitled to vote on Proposal No. 2 vote FOR the proposal.

Proposal No. 3 will be approved if the holders of a majority of shares of Common Stock present at the meeting and entitled to vote on Proposal No. 3 vote FOR the proposal.

The Company knows of no arrangements which would result in a change in control of the Company at any future date.

The Company knows of no other matters to come before the meeting. If any other matters properly come before the meeting, the proxies solicited hereby will be voted on such matters as the Board may recommend, except proxies which are marked to deny discretionary authority.

A proxy is enclosed for your signature. Please return it immediately, marked, dated and signed.

**PROPOSAL NO. 1
ELECTION OF THREE DIRECTORS**

The present directors of the Company and their current Board Committee memberships are as follows:

Name	Age	Positions and Offices Presently Held with the Company	Served As Director Since	Present Term Ends
Bruce M. Bell (1)(2)(3)	68	Director	2004	2010
Michael C. Coffman	56	Director, President and Chief Executive Officer	2006	2011
E. Chris Kauffman (2)(4)	69	Director	1991	2012
Duke R. Ligon (1)(2)(3)	68	Director	2007	2011
Robert O. Lorenz (1)(2)	63	Lead Independent Director (5)	2003	2010
Robert A. Reece (1)(3)(4)	65	Director	1986	2011
Robert E. Robotti (1)(2)(3)	56	Director	2004	2010
H. Grant Swartzwelder (2)(3)(4)	46	Director	2002	2012

(1) Member of the
Audit
Committee

(2) Member of the
Compensation
Committee

(3) Member of the
Corporate
Governance and
Nominating

Committee

- (4) Member of the Retirement Committee
- (5) Elected Lead Independent Director effective November 1, 2008.

(3)

Table of Contents

There are three vacancies for three-year terms beginning 2010. Nominees for the vacancies are Bruce M. Bell, Robert O. Lorenz and Robert E. Robotti, all of whom are currently directors. These nominees were recommended by the Corporate Governance and Nominating Committee and approved by the Board. The Board has no reason to believe that any of the nominees will be unable to serve as director. However, if any nominee should be unable for any reason to accept nomination or election, it is the intention of the persons named in the enclosed proxy to vote those proxies for the election of such other person or persons as the Board may recommend.

Nominees for Election to the Board of Directors in 2010

Dr. Bruce M. Bell has been CEO of Post Oak Oil Company (oil and gas exploration and production) since 1983 and president and CEO of Edrio Oil Co. Inc. (oil and gas exploration and production) since 1982, both of Oklahoma City. He served as chairman of the Mid-Continent Oil & Gas Association (oil and gas trade association) from 1997 to 2006. Dr. Bell holds a Ph.D. degree in paleontology.

Robert O. Lorenz is a former audit partner of Arthur Andersen LLP. He served as the managing partner of the Oklahoma City office beginning in 1994 and as the managing partner of the Oklahoma practice beginning in 2000. He retired from Arthur Andersen in 2002. Since 2005, Mr. Lorenz has been a director of OGE Energy Corp. (regulated electric utility and natural gas transportation), and was a director of Infinity Inc. (oil and gas exploration and development) from 2004 to 2009. He also served as a director of Kerr-McGee Corporation (oil and gas exploration and production) from 2005 to 2006 when it was acquired by Anadarko Petroleum Corp.

Robert E. Robotti, since 1983, has been the president of Robotti & Company, LLC (a registered broker-dealer), president of Robotti & Company Advisors, LLC (a registered investment advisor), or their predecessors, and since 1980, as the managing member of Ravenswood Investment Company, LLC, which serves as the general partner of two investment partnerships, all located in New York City. Since 2007, Mr. Robotti has served as portfolio manager and managing member of Robotti Global Fund, LLC, a global equity fund. Mr. Robotti is a certified public accountant and holds a MBA degree. He is a member of the New York Society of Security Analysts.

**THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS
VOTE FOR THE ELECTION OF
BRUCE M. BELL, ROBERT O. LORENZ AND ROBERT E. ROBOTTI
AS DIRECTORS**

Directors Whose Terms Continue Beyond the 2010 Annual Meeting and Who Are Not Subject to Election this Year

Directors Whose Terms Expire in 2011

Michael C. Coffman has worked in public accounting and as a financial officer with companies involved in the oil and gas industry since 1975. He joined the Company in 1990 as its treasurer. From 1995 to 2006, he served as vice-president and chief financial officer. From 2006 to August 2007, he served as co-president and chief financial officer. Since August 2007, he has served as president and chief executive officer.

(4)

Table of Contents

Duke R. Ligon is an attorney and served as senior vice president and general counsel of Devon Energy Corporation (oil and gas exploration and production) from 1997 until he retired in 2007. Since 2007, he has served as strategic advisor to Love's Travel Shops and Country Stores (convenience stores and midstream energy transportation). He has been a director of Pre-Paid Legal Services, Inc. (insurance company) since 2007, Quest Midstream Partners, L.P. (natural gas transportation) since 2006 and Blue Knight Energy Partners (formerly SemGroup Energy Partners, L.P.) (crude oil terminaling, storage, gathering and transportation) since 2009. He was a director of TransMontaigne Partners, L.P. (distribution and marketing of petroleum products) from 2008 to 2009 and Teppco Partners LP in 2009. Mr. Ligon was elected to the Board in August 2007.

Robert A. Reece is an attorney and since 1980 has been of counsel with the law firm of Crowe & Dunlevy, Oklahoma City, and active in the management of his family's investments, including significant oil and gas holdings. He has been a director of NBC Bank (a state chartered bank) of Oklahoma City since 1982. He holds a MBA degree.

Directors Whose Terms Expire in 2012

E. Chris Kauffman has been the vice president, secretary and treasurer of Campbell-Kauffman, Inc. (an independent insurance agency) since 1983 and chief financial officer and secretary of The Insurance Center Agency, Inc. (an independent insurance agency) since 1990, both of Oklahoma City. He has been involved with both agencies since 1983. He served as Chairman of the Board of the Company from 2005 to 2008. Mr. Kauffman has never been an employee of the Company.

H. Grant Swartzwelder is president of PetroGrowth Advisors, Irving, Texas (a merchant banking and venture capital firm) which he founded in 1998. Since 1998, he has founded and manages several private companies engaged in various aspects of the oil and gas service business. Prior to 1998, he was vice president of Principal Financial Securities, Inc., Dallas, Texas (an investment-banking firm). He holds a Bachelor of Science degree in Petroleum Engineering and a MBA degree.

None of the organizations described in the business experiences of the Company's directors and officers are parents, subsidiaries or affiliates of the Company or, except for Mr. Kauffman's insurance agency, do business with the Company.

None of the non-management directors have ever been employees of the Company.

Lead Independent Director

Effective November 1, 2008, the Board named Robert O. Lorenz as Lead Independent Director and eliminated the position of Chairman of the Board. The Lead Independent Director presides at all Board meetings and all executive sessions of outside directors. The Board adopted a Charter of Lead Independent Director which can be viewed at the Company's website: www.panhandleoilandgas.com.

Meetings and Committees of the Board of Directors

During the fiscal year ended September 30, 2009 (fiscal 2009), the Board held five meetings. At each meeting, a quorum of directors was present. The outside directors hold executive sessions at

Table of Contents

each Board meeting without management present. The Company expects all of its directors to attend each annual shareholders meeting. All directors attended the 2009 annual shareholders meeting.

During fiscal 2009, each director attended at least 75% of the meetings of the Board and each of the Board committees on which he served.

The Board has determined that, under the rules of the New York Stock Exchange, all directors are currently independent, except for

Michael C. Coffman, Chief Executive Officer, who does not serve on any Board committee.

The Board has four standing committees: Audit, Compensation, Corporate Governance and Nominating, and Retirement.

Information regarding the functions performed by the Audit Committee, its membership and the number of meetings held during fiscal 2009 is set forth below in the caption Report of the Audit Committee included in this proxy statement. Each member of the Audit Committee meets all applicable independence and financial literacy requirements of the Securities and Exchange Commission and of the New York Stock Exchange. Robert O. Lorenz has been determined by the Board to meet the audit committee financial expert requirements of the Securities and Exchange Commission and the New York Stock Exchange. A copy of the Audit Committee Charter can be viewed at the Company's website: www.panhandleoilandgas.com.

During fiscal 2009, the Compensation Committee was comprised of Bruce M. Bell, chair, E. Chris Kauffman, Duke R. Ligon, Robert O. Lorenz, Robert E. Robotti and H. Grant Swartzwelder. The Committee met two times during fiscal 2009. The Committee reviews officer performance and recommends to the Board compensation amounts for officers and directors. See Compensation Discussion and Analysis below. The Compensation Committee Charter can be viewed at the Company's website: www.panhandleoilandgas.com.

During fiscal 2009, the Corporate Governance and Nominating Committee was comprised of Duke R. Ligon, chair, Bruce M. Bell, Robert A. Reece, Robert E. Robotti and H. Grant Swartzwelder. This Committee met twice during fiscal 2009. The Committee's charter can be viewed at the Company's website: www.panhandleoilandgas.com. The principal functions of the Corporate Governance and Nominating Committee are to: search for, identify and screen individuals qualified to become members of the Board; recommend to the Board when new members should be added to the Board; recommend to the Board individuals to fill vacant Board positions; and recommend to the Board nominees for election as directors at the annual shareholders meeting. If a vacancy on the Board exists that will not be filled by an incumbent director, the Committee identifies prospective nominees primarily through business and industry contacts. At a minimum, in its assessment of potential Board candidates, the Corporate Governance and Nominating Committee will review each candidate's character, wisdom, acumen, business skills and experience, understanding of and involvement in the oil and gas industry, and ability to devote the time and effort necessary to fulfill his or her responsibilities. The Corporate Governance and Nominating Committee will consider nominees proposed by shareholders of the Company if the requirements set forth in the Company's Bylaws are satisfied. For more information, see Shareholder Proposals below. Those nominations must include sufficient biographical information so that the Committee can appropriately assess the proposed nominee's background and qualifications. To propose a prospective nominee for the

Table of Contents

Committee's consideration, shareholders should submit the proposal in writing to Panhandle Oil and Gas Inc., Attention: Secretary, 5400 N. Grand Boulevard, Suite 300, Oklahoma City, OK 73112-5688. Any such submission must be accompanied by the written consent of the proposed nominee to being named as a nominee and to serve as a director, if elected.

During fiscal 2009, the Retirement Committee was comprised of Robert A. Reece, chair, E. Chris Kauffman and H. Grant Swartzwelder, and oversaw the administration of the Panhandle Oil and Gas Inc. Employee Stock Ownership and 401(k) Plan and Agreement (the ESOP Plan). This Committee met twice during fiscal 2009.

Compensation of Directors

The following outlines the compensation plan for the Company's outside directors for their services in all capacities.

The following table contains information with respect to fiscal 2009 compensation of directors who served in such capacity during fiscal 2009, except for the fiscal 2009 compensation of Michael C. Coffman, Chief Executive Officer, whose compensation is disclosed below in the caption Executive Compensation Summary Compensation Table. Other than the Company's Deferred Compensation Plan for Non-Employee Directors (the Directors Deferred Compensation Plan), the Company has no stock award, stock option or other equity incentive plans for its directors.

Director Compensation

Name	Fees Paid in Cash or Deferred(1) (2)	All Other Compensation(3)	Total
Bruce M. Bell	\$ 36,000	\$ 1,646	\$ 38,146
E. Chris Kauffman	\$ 27,000	\$ 5,552	\$ 32,552
Duke R. Ligon	\$ 34,500	\$ 678	\$ 35,178
Robert O. Lorenz	\$ 51,000	\$ 3,585	\$ 54,585
Robert A. Reece	\$ 33,000	\$ 9,322	\$ 42,322
Robert E. Robotti	\$ 35,000	\$ 2,189	\$ 37,189
H. Grant Swartzwelder	\$ 33,000	\$ 3,716	\$ 36,716

(1) All but one director deferred 100% of their retainers and fees under the Directors Deferred Compensation Plan. E. Chris Kauffman deferred 26% of his retainers and fees under the Plan and

received cash payments for the remainder.

- (2) At the end of fiscal 2009, the following future share amounts had been recorded to each director's account under the Directors Deferred Compensation Plan: Bell 6,472; Kauffman 20,150; Ligon 2,942; Lorenz 13,625; Reece 34,056; Robotti 8,435; and Swartzwelder 13,880.
- (3) Under the Directors Deferred Compensation Plan, dividends paid on the Common Stock are recorded to each Director's account on the record date of the dividend in the form of unissued shares. The amount recorded is based on the number of future unissued shares in each Director's account and the closing market price of the Company Stock

on each
dividend record
date.

(7)

Table of Contents

From January 1, 2008 to December 31, 2009, outside directors were paid an annual retainer of \$20,000 and a \$1,000 fee (plus out-of-pocket travel expenses) for attending each Board and committee meeting. Any director who traveled over 50 miles to attend a Board or committee meeting received an additional \$500 for each meeting. In addition to the above retainers and fees, the Chairman of the Board received an additional annual retainer of \$15,000. The Company eliminated the Chairman of the Board position effective October 31, 2008 and created the position of Lead Independent Director effective November 1, 2008. The Lead Independent Director received an additional annual retainer of \$10,000 in 2009. The chairs of the Audit and Compensation Committees received additional annual retainers of \$10,000 and \$2,500, respectively, in 2008 and 2009. The chair of the Nominating Committee received an additional annual retainer of \$1,000 in 2008. The Company rescinded the charter of the Nominating Committee effective March 6, 2008 and established the Corporate Governance and Nominating Committee on the same date. Its chair received an additional annual retainer of \$2,500 in 2009. The annual retainers are paid on January 15 of each year.

Effective January 1, 2010, outside directors receive annual retainers of \$25,000, a \$1,500 fee for attending each Board meeting, a \$1,000 fee for attending each committee meeting and out-of-pocket travel expenses for attending all meetings. Any director who travels over 50 miles to attend a Board or committee meeting receives an additional \$500 for each meeting. In addition to the above fees, during calendar 2010, the Lead Director and the chairs of the Audit, Compensation and Corporate Governance and Nominating Committees will receive additional annual retainers of \$10,000, \$10,000, \$4,000 and \$2,500, respectively. The annual retainers are paid on January 15 of each year.

Outside directors may elect to be included in the Directors' Deferred Compensation Plan. The Directors' Deferred Compensation Plan provides that each outside director may individually elect to be credited with Company stock rather than cash for all or a portion of the annual retainer, Board and committee meeting fees, and also may elect to receive shares, if and when issued, over a period of time up to ten years. These unissued shares are recorded to each director's deferred compensation account at the closing market price of the shares (i) on the dates of the Board and committee meetings, and (ii) on January 15 of each year for the annual retainers. Only upon a director's retirement, termination or death, or upon a change-in-control of the Company, will the shares recorded for such director under the Directors' Deferred Compensation Plan be issued to the director. The promise to issue such shares in the future is an unsecured obligation of the Company. All directors participate in the Directors' Deferred Compensation Plan.

Transactions with Directors

The Company has entered into indemnification agreements with each of its directors and executive officers.

During fiscal 2009, the Company purchased directors and officers liability and other miscellaneous insurance policies through the Campbell-Kauffman, Inc. insurance agency for premiums aggregating \$94,650. E. Chris Kauffman is an owner and officer of the Agency. The Company believes that the premiums and the terms of the insurance policies were at market rates and on market terms.

We review any transactions and relationships in which the Company and any of our directors, nominees for director, executive officers or any of their immediate family members may be

Table of Contents

participants, so as to determine whether any of these individuals have a direct or indirect material interest in any such transaction. We have developed and implemented processes and controls to obtain information from the directors and executive officers about related person transactions, and for then determining, based on the facts and circumstances, whether a related person has a direct or indirect material interest in any such transaction. Transactions that are determined to be directly or indirectly material to a related person are disclosed in our proxy statement, as required by SEC rules.

Pursuant to these processes, all directors and executive officers annually complete, sign and submit a directors and officers questionnaire that is designed to identify related person transactions and both actual and potential conflicts of interest. We also make appropriate inquiries as to the nature and extent of business that the Company may conduct with other companies for whom any of our directors or executive officers also serve as directors or executive officers. Under the Company's Code of Ethics and Business Practices, if an actual or potential conflict of interest affects an executive officer or a director, he or she is to immediately disclose all the relevant facts and circumstances to the Company's President or the Corporate Governance and Nominating Committee, as appropriate. If the Corporate Governance and Nominating Committee determines that there is a conflict, it will refer the matter to the Board, which will review the matter to make a final determination as to whether a conflict exists, and, if so, how the conflict should be resolved. In addition, the Audit Committee reviews all reports and disclosures of actual and potential related person transactions.

The Company has a written Code of Ethics and Business Practices applicable to all directors and executive officers of the Company that prohibits directors and executive officers from entering into transactions, or having relationships, that would result in a conflict of interest with the interests of the Company. Waivers of the Code of Ethics and Business Practices for directors and executive officers may only be granted by the Board. The Code of Ethics and Business Practices can be found under For Investors Corporate Governance on the Company's website at: www.panhandleoilandgas.com.

**PROPOSAL NO. 2
APPROVAL OF THE PANHANDLE OIL AND GAS INC. 2010
RESTRICTED STOCK PLAN**

The Board has adopted, subject to shareholder approval, the Panhandle Oil and Gas Inc. 2010 Restricted Stock Plan (the 2010 Stock Plan). The 2010 Stock Plan will make available 100,000 shares of Common Stock to provide an essential long-term component to the Company's total compensation package for its officers reflecting the importance the Company places on aligning the interest of its officers with those of its shareholders. Initially, the Company intends to use restricted stock awards to replace one-half of each participating officer's annual cash bonus with restricted stock vesting over the number of years determined by the Compensation Committee which is expected to be a minimum of two years. The Compensation Committee believes that restricted stock awards which vest over several years will add a desirable long-term component to the officers' compensation packages and encourage officers to remain with the Company.

The 2010 Stock Plan is designed to provide as much flexibility as possible for future grants of restricted stock so that the Company can respond as necessary to provide competitive compensation

Table of Contents

in order to retain, attract and motivate officers of the Company and to align their interests with those of the Company's shareholders.

Historically, the Company has not provided any equity incentives other than contributions of Common Stock to the Company's ESOP Plan. See Executive Compensation .

The Company intends to repurchase on the open market or in private transactions shares of Common Stock equal to the number of shares of restricted stock awarded on an annual basis under the 2010 Stock Plan in order to avoid dilution to existing shareholders.

The full text of the 2010 Stock Plan is included as Appendix A to this Proxy Statement, and a brief description of its material terms is provided below.

Description of the 2010 Stock Plan

Nature of Awards. The 2010 Stock Plan permits the grant of shares of restricted stock to Company officers. The Company intends to sell shares of restricted stock to officers at a significant discount to the fair market value of the shares, generally at the par value of the shares. The restricted shares will vest after the passage of time, typically over several years on the anniversary dates of the issuance of the restricted stock. The minimum vesting period is expected to be two years. The Company will repurchase the restricted stock at the original purchase price if vesting does not occur.

Each participant in the 2010 Stock Plan will enter into a stock restriction agreement with the Company setting forth the terms, conditions and restrictions of the restricted stock grant. The restricted stock will be issued in the name of the participant and deposited with the Company, or an escrow agent determined by the Compensation Committee, until the restrictions lapse or until vesting is no longer possible under the stock restriction agreement.

Subject to the terms and conditions of the stock restriction agreement, a participant holding restricted stock will have the right to receive dividends on the shares of restricted stock during the restriction period, vote the restricted stock and enjoy other shareholder rights related to the restricted stock. Upon expiration of the restriction period, subject to the terms of the Plan and the stock restriction agreement, the participant will be entitled to receive shares of Common Stock not subject to restriction.

Effective Date and Term. Subject to shareholder approval, the 2010 Stock Plan will be effective on March 11, 2010, the date of the meeting. No restricted stock will be awarded after the day before the tenth anniversary of the effective date, but the vesting periods for restricted stock previously sold may extend beyond that date.

Eligibility. Any current officer of the Company, or any of the Company's present or future subsidiary entities in which the Company has a controlling interest, as determined by the Compensation Committee, will be eligible to be granted an award of restricted stock.

Administration. The 2010 Stock Plan will be administered by the Compensation Committee, which shall have authority to grant awards of restricted stock and determine recipients and the terms of awards. The Compensation Committee will have full authority to construe and interpret the terms of the 2010 Stock Plan and to determine all facts necessary to administer the Plan.

Table of Contents

Stock Subject to the 2010 Stock Plan. Subject to adjustments allowed under the 2010 Stock Plan, awards of restricted stock may be made under the Plan for up to 100,000 shares of Common Stock. If any award of restricted stock expires or is terminated, surrendered or canceled without being fully vested, the unused shares covered by such award will again be available for grants under the Plan.

Restricted Stock. Pursuant to the Plan, the Compensation Committee may grant awards of restricted stock on the terms and conditions set forth by the Compensation Committee in the applicable stock restriction agreement, including the conditions for vesting, the vesting periods and the issue price. The vesting period for any restricted stock award is expected to be a minimum of two years.

Adjustments Due to Changes in Capitalization or Control. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any dividend or distribution to holders of shares of Common Stock other than an ordinary cash dividend, (i) the number of shares of Common Stock available under the 2010 Stock Plan, (ii) the number of shares of Common Stock subject to and the repurchase price per share subject to each outstanding restricted stock award, and (iii) the terms of each other outstanding award shall be equitably adjusted by the Company in the manner determined by the Compensation Committee.

Change in Control. Upon the occurrence of a change in control of the Company as defined in the Plan, except to the extent provided to the contrary in the stock restriction agreement between a participant and the Company, all restrictions and conditions on all restricted stock awards then outstanding shall automatically lapse and be deemed terminated or satisfied, as applicable.

Transferability of Awards. Unless otherwise provided by the Compensation Committee, restricted stock will be nontransferable, either voluntarily or by operation of law, except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order.

Termination of Employment. The Compensation Committee will determine the effect on restricted stock due to the disability, death, retirement, termination or other cessation or change in the employment, of a participant.

Tax Withholding. A participant in the 2010 Stock Plan must satisfy all applicable federal, state and local or other income and employment tax withholding obligations of the Company before it will authorize the restricted stock to be released by the Company or from escrow. The Compensation Committee may allow a participant to satisfy all or part of these withholding obligations by transferring shares of restricted stock to the Company.

Amendment of Awards. The Compensation Committee may amend, suspend or terminate the 2010 Stock Plan or any portion of the Plan at any time; provided that if at any time the approval of the Company's shareholders is required as to any modification or amendment under applicable laws and rules, the Compensation Committee may not effect such modification or amendment without shareholder approval. Unless otherwise specified in the amendment, any amendment to the 2010 Stock Plan shall apply to, and be binding on, the holders of restricted stock under the Plan at the time the amendment is adopted, provided, the Compensation Committee determines that such amendment does not materially and adversely affect the rights of participants under the Plan.

Table of Contents

Federal Income Tax Consequences

Under current federal tax law, the following is a summary of the United States federal income tax consequences generally arising with respect to restricted stock granted under the 2010 Stock Plan. The discussion is not a complete analysis of all federal income tax consequences and does not cover all specific transactions which may occur.

In general, no income will be recognized by a participant for U. S. federal income tax purposes upon the grant of restricted stock if the restrictions are of a nature that the shares are both subject to a substantial risk of forfeiture and are not freely transferable. On the date that the restrictions on the shares lapse, the participant will recognize ordinary income in an amount equal to the fair market value of the shares on that date (minus any amount the participant paid for the shares). Income recognized by the participant who is an officer is compensation subject to withholding. As a result the Company must make the necessary arrangements with the participant to ensure that the proper amount is withheld. The Company may satisfy the withholding obligations through additional withholding on salary or bonuses. The Compensation Committee may allow a participant to transfer restricted stock to the Company to satisfy all or part of the withholding obligation. A participant's adjusted basis in the stock received will be equal to the ordinary income recognized by the participant (plus any amount the participant paid for the shares). If a participant thereafter sells the stock, any amount realized over (or under) the adjusted basis of the stock will constitute capital gain (or loss) to the participant for U. S. federal income tax purposes. If a participant forfeits an award before the restrictions lapse, the participant will not recognize gain or loss as a result of such forfeiture.

Upon the grant of restricted stock, a participant may file an election under Section 83(b) of the Internal Revenue Code of 1986 to accelerate the recognition of ordinary income to the date of the award of restricted stock. The ordinary income would be equal to the fair market value of the shares of stock on the award date (minus any amount the participant pays for the shares) and is compensation subject to withholding for employees. If a participant subsequently forfeits the stock or the stock depreciates in value after a Section 83(b) election is filed, the participant will not be eligible for capital loss treatment with respect to the stock.

Dividends paid to a participant holding restricted stock before the expiration of the restriction period will be additional compensation taxable as ordinary income to the participant subject to withholding, unless the participant made an election under Section 83(b). If the participant has made a Section 83(b) election, the dividends will be dividend income, rather than additional compensation, to the participant.

The Company generally will be entitled to a corresponding tax deduction equal to the ordinary income and dividends includible in a participant's compensation income.

Plan Benefits

If the shareholders approve the proposed 2010 Stock Plan, 100,000 shares of restricted Common Stock will be issuable pursuant to its terms to all eligible participants of the Plan. The Compensation Committee has not at this time considered or approved any future awards under the 2010 Stock Plan so the identity of future award recipients and the size and terms of future awards are not known at this time.

Table of Contents

Reasons for Shareholder Approval and Vote Required for Approval

NYSE Rule 303A.08 requires a company listed on the NYSE to seek stockholder approval when the company establishes any plan or other arrangement that provides for the delivery of equity securities of the company to any employee, director or other service provider as compensation for services.

The proposed 2010 Stock Plan will be approved if the holders of a majority of shares of Common Stock present at the meeting and entitled to vote on Proposal No. 2 vote FOR the proposal. Abstentions will have the effect of a vote AGAINST Proposal No. 2.

Consequences of Non-Approval

The Company considers shareholder approval of the 2010 Stock Plan to be critical to the Company's ability to retain and attract officers whose services are necessary to successfully execute the Company's business plan. If the shareholders do not approve the 2010 Stock Plan, the Company believes its ability to retain and attract talented officers will be adversely affected due to the ability of competitors of the Company to offer equity compensation to talented individuals.

**THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS
VOTE FOR
THE PANHANDLE OIL AND GAS INC. 2010 RESTRICTED STOCK PLAN
PROPOSAL NO. 3
RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

The Audit Committee has directed the Company to submit the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending September 30, 2010 (fiscal 2010) for ratification by the shareholders at the meeting. Neither the Company's Bylaws nor other governing documents or law require shareholder ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm. However, the Audit Committee is submitting the selection of Ernst & Young LLP to the shareholders for ratification as a matter of good corporate practice. If the shareholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accounting firm at any time during fiscal 2010 if it determines that such a change would be in the best interests of the Company and its shareholders.

A representative of Ernst & Young LLP is expected to attend the meeting and will have the opportunity to make a statement if he or she so desires, and will be available to respond to appropriate questions of shareholders.

For fiscal 2010, the Audit Committee has selected Ernst & Young LLP to conduct quarterly reviews for the first three fiscal quarters.

Table of Contents**Independent Accountants Fees and Services**

The following sets forth fees billed for audit and other services provided by Ernst & Young LLP for the fiscal years ended September 30, 2009 and September 30, 2008:

Fee Category	Fiscal 2009 Fees	Fiscal 2008 Fees
Audit Fees (1)	\$ 314,500	\$ 275,100
Audit-Related Fees	\$	\$
Tax Fees	\$	\$ 6,575
All Other Fees	\$	\$

(1) Includes fees for audit of annual financial statements, reviews of the related quarterly financial statements and internal control audits required by Section 404 of the Sarbanes-Oxley Act.

All services rendered by Ernst & Young LLP were permissible under applicable laws and regulations and were pre-approved by the Audit Committee. The Audit Committee's pre-approval policy is set forth in the Audit Committee Charter and which can be viewed at the Company's website: www.panhandleoilandgas.com.

To ratify the selection of Ernst & Young LLP, a majority of the votes entitled to be cast on Proposal No. 3 must vote FOR ratification. Abstentions will have the effect of a vote AGAINST ratification.

**THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS
VOTE FOR
RATIFICATION OF SELECTION OF INDEPENDENT
REGISTERED PUBLIC ACCOUNTING FIRM**

Report of the Audit Committee

During fiscal 2009, the Audit Committee was composed of five independent directors: Robert O. Lorenz, chair, Bruce M. Bell, Duke R. Ligon, Robert A. Reece and Robert E. Robotti. The Board has determined that all committee members are independent and that Mr. Lorenz is an audit committee financial expert, as defined by Securities and Exchange Commission guidelines and the rules of the New York Stock Exchange. Four meetings of the Committee were held during fiscal 2009.

The Audit Committee Charter was adopted in December, 2004 and an immaterial change was approved by the Board in December, 2008. A copy of the Charter can be viewed at the Company's website: www.panhandleoilandgas.com.

The Audit Committee's primary responsibility is to oversee the Company's financial reporting process on behalf of the Board and report the results of its activities to the Board. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal control over financial reporting.

Table of Contents

Controls and Procedures. Management has established and maintains a system of disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in the reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and includes controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in those reports is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As of September 30, 2009, management conducted an evaluation of disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that the information required to be disclosed in the reports filed or submitted under the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The Audit Committee discussed with management and Ernst & Young LLP, the Company's independent registered public accounting firm (independent accountants), the quality and adequacy of the Company's disclosure controls and procedures.

Management has also established and maintains a system of internal controls over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934. These internal controls are designed to provide reasonable assurance that the reported financial information is presented fairly, that disclosures are adequate and that the judgments inherent in the preparation of financial statements are reasonable. Management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework set forth in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management's evaluation under the framework in *Internal Control – Integrated Framework*, management concluded that the Company's internal control over financial reporting was effective as of September 30, 2009 as discussed in more detail in Management's Report on Internal Control Over Financial Reporting, which was included in our Annual Report on Form 10-K for the year ended September 30, 2009, filed with the SEC on December 9, 2009. The effectiveness of the Company's internal control over financial reporting as of September 30, 2009 has been audited by Ernst & Young LLP, as stated in its attestation report, which was included in our Annual Report on Form 10-K for the year ended September 30, 2009. The Audit Committee reviewed and discussed with management and Ernst & Young LLP the Company's system of internal control over financial reporting in compliance with Section 404 of the Sarbanes-Oxley Act of 2002.

Discussions with Management and Independent Accountants. In fulfilling its responsibilities, the Committee reviewed with management the audited financial statements included in the Company's Annual Report on Form 10-K for fiscal 2009, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Audit Committee reviewed with Ernst & Young LLP, which is responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the Audit Committee by Statement on Auditing Standards No. 61 (Communications with Audit Committees), as amended by Statement on Auditing Standards No. 90 (Audit Committee Communications). In addition, the Audit Committee discussed with the independent accountants its independence from management and the Company, including matters

Table of Contents

in the written disclosures received from the independent accountants as required by the Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees).

The Audit Committee met with the independent accountants, with and without management present, to discuss the overall scope and plans for their audit, the results of their examinations, their evaluations of the Company's internal control over financial reporting and the overall quality of the Company's financial reporting.

The Audit Committee also met with the independent accountants and management after the end of each of the first three fiscal quarters. At these meetings, the independent accountants' review of quarterly results was presented and discussed and discussions were also held with management concerning these results.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board (and the Board approved) that the audited financial statements be included in the Company's Annual Report on Form 10-K for fiscal 2009 for filing with the Securities and Exchange Commission.

Audit Committee

Robert O. Lorenz Chair

Bruce M. Bell

Duke R. Ligon

Robert A. Reece

Robert E. Robotti

Beneficial Ownership of Common Stock

The following table sets forth information with respect to the outstanding shares of Common Stock owned beneficially as of December 31, 2009 by all persons who own or are known by the Company to own beneficially more than 5% of the outstanding Common Stock, by each director, nominee for director and executive officer and by all directors and executive officers as a group.

Name of Beneficial Owner	Amount of Shares Beneficially Owned(3)(4)	Percent of Class
Bruce M. Bell (1)	1,100	*
Paul F. Blanchard, Jr. (2)		*
Michael C. Coffman (1)(2)	115,994	1.4 %
E. Chris Kauffman (1)	33,000	*
Duke R. Ligon (1)	181,182	2.2 %
Robert O. Lorenz (1)	4,200	*
Lonnie J. Lowry (2)	9,816	*
Robert A. Reece (1)	46,576	*

(16)

Table of Contents

Name of Beneficial Owner	Amount of Shares Beneficially Owned(3)(4)	Percent of Class
Robert E. Robotti (1) c/o Robotti & Company, LLC 110 E. 42 nd St., 11 th Floor New York, NY 10017	774,776	9.3%
Ben Spriestersbach (2)	7,733	*
H. Grant Swartzwelder (1)	8,272	*
Robb P. Winfield (2)	1,082	*
All directors and executive officers as a group (12 persons)	1,141,691	13.8%

* Less than 1%
owned

(1) Director

(2) Executive
Officer

(3) The number of
shares shown
includes shares
that are
individually or
jointly owned,
as well as shares
over which the
individual has
either sole or
shared
investment or
voting authority.

(4) The number of
shares shown
does not include
future share
amounts
recorded to each
outside director's
account under

the Directors
 Deferred
 Compensation
 Plan. See
 Proposal No. 1
 Compensation
 Table of
 Directors,
 footnote (2) .

Executive Officers

The following is a list of the current executive officers of the Company. All officers hold office at the discretion of the Board and may be removed from office, with or without cause, at any time by the Board.

Name	Age	Positions and Offices Presently Held With the Company	Officer Since
Michael C. Coffman(1)	56	President and Chief Executive Officer	1990
Paul F. Blanchard, Jr.	49	Vice President and Chief Operating Officer	2009
Lonnie J. Lowry	57	Vice President, Chief Financial Officer and Secretary	2006
Ben Spriestersbach	58	Vice President of Land	2005
Robb P. Winfield	35	Controller and Chief Accounting Officer	2009

(1) Biographical information for Mr. Coffman is set forth in Election of Directors Directors Whose Term Expires in 2011.

All officers named above also hold the same office in the Company's wholly-owned subsidiary, Wood Oil Company.

Table of Contents

Paul F. Blanchard, Jr. was sole proprietor of a consulting petroleum engineering firm from 2007 to 2008, and served from 1997 to 2007 as Vice President, Mid-Continent Business Unit of Range Resources Corporation. He became the Company's Vice President and Chief Operating Officer in January 2009. Mr. Blanchard holds a Bachelors of Science Degree in Petroleum Engineering.

Lonnie J. Lowry served as Vice President, Controller and Secretary from March, 2006 until August, 2007 when he was elected Vice President, Chief Financial Officer and Secretary. From 2001 to 2006, he served as Controller of the Company. He had been Controller of Wood Oil Company for 15 years when acquired by Panhandle in 2001.

Ben Spriestersbach was elected Vice President of Land in 2005. From 2002 through 2004, he served as Land Manager of the Company. From 1989 to 2001, he worked for Farmers Union Cooperative Royalty Company (oil and gas royalty company), last serving as assistant secretary-treasurer. Mr. Spriestersbach is a certified professional land man.

Robb P. Winfield served as Controller from February 2008 to March 2009 when he was elected Controller and Chief Accounting Officer. Mr. Winfield was employed by Chesapeake Energy Corporation from 2004 to 2008 as Revenue Coordinator and Supervisor and was employed as an auditor from 1999 to 2004 with Ernst & Young LLP.

Executive Compensation

The table below sets forth information for the three most recently completed fiscal years concerning compensation paid to executive officers in those fiscal years for services in all capacities.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Base Salary(1)	Cash Bonus(1)	All Other Compensation(2)	Total
Michael C. Coffman, President and Chief Executive Officer	2009	\$236,250	\$250,504(9)	\$ 35,274(3)	\$522,028
	2008	\$216,250	\$188,113	\$ 34,976(3)	\$439,339
	2007	\$186,250	\$ 79,500	\$ 33,675(3)	\$299,425
Paul F. Blanchard, Jr.,(7) Vice President and Chief Operating Officer	2009	\$150,897	\$ -0-	\$ -0-	\$150,897
Lonnie J. Lowry, Vice President, Chief Financial	2009	\$156,250	\$ 42,075	\$ 30,033(4)	\$228,358
	2008	\$139,875	\$ 35,486	\$ 26,973(4)	